FC #79

Joint Committee on Taxation
September 8, 1988
JCX-26-88

Table 1

SENATE FINANCE COMMITTEE

Technical Corrections Act of 1988, S. 2238, as Reported With Minor Modifications

Fiscal Years 1989-91
(Millions of Dollars)

Item	1989	1990	1991	1989-91
TECHNICAL CORRECTIONS ACT OF 1988, S. 2238, AS REPORTED BY THE SENATE COMMITTEE ON FINANCE				
Titles I and II.--Technical Corrections to the Tax Reform Act and Other Revenue Legislation	-10	52	44	86
Title III.--Corrections to Diesel Fuel Excise Tax Collection and Exemption Procedures (effective October 1, 1988)	-317	-64	-66	-447
Title IV.--Other Corrections and Modifications				
A. Corporate Estimated Tax Payments	315	35	18	368
B. Tax Treatment of Indian Fishing Rights	-8	-8	-8	-24
C. Repeal of LImitation on Treasury Long-Term Bond Authority	--	--	--	---
D. Additional Simplification and Clarification Provisions				
1. Revise sanction for violation of the COBRA health care continuation rules (effective for taxable years beginning after 1988)	(1)	(1)	(1)	(2)
2. Simplify fringe benefit non-discrimination rules (sec. 89) (effective for years beginning after 1988)	(3)	(3)	(3)	(2)
3. Estate and Gift Tax: Estate Freezes	(3)	(3)	-1	-1
Title V.--Railroad Unemployment and Retirement Provisions (4)	-28	31	61	64
Title VI.--Social Security Act: Minor and Technical Amendments (5)	-8	-20	(6)	-28
Subtotals: TECHNICAL CORRECTIONS ACT OF 1988, as Reported	-56	26	48	18
Additional Technicals and Modifications of Previously Adopted Technicals	--	--	--	--
TOTALS:	-56	26	48	18

(1) Gain of less than $500,000.
(2) Totals are not available for estimates represented by footnotes.
(3) Loss of less than $500,000.
(4) Revenue effect net of outlay effect.
(5) Outlay effect.
(6) Increased outlay of less than $500,000.

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Table 2

SENATE FINANCE COMMITTEE

Provisions that Close Loopholes

Fiscal Years 1989-91
(Millions of Dollars)

Item	1989	1990	1991	1989-91
A. Corporate Estimated Tax Speed-up	427	48	26	501
B. Single-Premium Life Insurance, (including mortality charge modifications)	16	101	189	306
C. Alaska Native Corporations	375	200	200	775
D. Modification of Distilled Spirits Flavors Credit	27	32	35	94
Subtotals: PROVISIONS that CLOSE LOOPHOLES	**845**	**381**	**450**	**1,676**
Subtotals: TECHNICAL CORRECTIONS ACT OF 1988, S. 2238, as Reported... (Table 1)	**-56**	**26**	**48**	**18**
GRAND TOTAL (Cumulative effects of Tables 1 and 2):	**789**	**407**	**498**	**1,694**

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Table 3

SENATE FINANCE COMMITTEE

NONCONTROVERSIAL, LOW COST PROPOSALS

Fiscal Years 1989-91
(Millions of Dollars)

	Item	1989	1990	1991	1989-91
A.	Corrections Affecting Agriculture				
	1. Allow widow to cash rent a farm to another family member for special use valuation rules	(8)	(8)	(8)	(2)
	2. Discharge of indebtedness income by rural co-ops on loan prepayments pursuant to OBRA	(3)	(3)	(3)	(7)
	3. One-year deferral of proceeds from livestock sold on account of drought	55	-38	-38	-21
	4. Exemption from FICA tax for certain agricultural workers	(8)	(8)	(8)	(2)
B.	Pensions and Employee Benefits				
	1. Modify employee benefit nondiscrimination rules: church plans and cafeteria plans	(3)	(3)	(3)	(2)
	2. Modify section 403(b) nondiscrimination rules	(3)	(3)	(3)	(2)
	3. Provide that plans of police and firefighters are tested separately for purposes of the minimum participation rule	(3)	(3)	(3)	(2)
	4. Allow marital deduction for gifts of joint and survivor annuities	(8)	(8)	(8)	(2)
	5. Allow rural telephone coops to maintain 401(k) plans	-2	-4	-5	-11
	6. Apply a safe harbor to employee leasing rules for temporary service companies	(7)	(7)	(7)	(2)
	7. Modify application of section 415 to governmental plans	(3)	(3)	(3)	(2)
	8. Treat church self-insured death benefit plans as life insurance	(8)	(8)	(8)	(2)
	9. Study on effects of minimum participation rule	--	--	--	---
C.	Exempt Organizations				
	1. Move forward effective date for 1986 Act provision regarding UBIT exemption for certain games of chance to October 22, 1986	-11	--	--	-11
	2. Clarify that section 501(e) organizations can purchase group insurance for tax-exempt hospitals	--	--	--	---
	3. Exempt charitable relief cargo from harbor maintenance tax	(7)	(7)	(7)	(2)
	4. Exempt universities from $250 BATF occupational tax for small (less than 25 gallons per year) of specially-denatured distilled spirits (including ethyl alcohol) used in laboratory experiments	(7)	(7)	(7)	(2)
	5. Allow 80% charitable deduction for payments to colleges for right to purchase athletic tickets	(8)	(8)	(8)	(2)

D.	Administrative Provisions				
	1. Certain repairs not treated as manufacturing for retail truck excise tax (effective January 1, 1988)	-5	-3	-3	-11
	2. Certain tolerances permitted in determination of wine excise tax (effective January 1, 1989)	(3)	(3)	(3)	(2)
	3. Allow marketers to file directly for a refund of gas tax when gasoline is sold to a State or local government	-5	(3)	(3)	-5
	4. Election to treat passive foreign investment company (PFIC) stock as stock in a qualified electing fund	(1)	(1)	(1)	(2)
	5. Provide election by parent to claim unearned income of dependent on return	(3)	(3)	(3)	(2)
	6. Change in due date of GAO trade study	--	--	--	---
	7. Permit information sharing with cities above 250,000 in population	(8)	(8)	(8)	(8)
E.	Tax-Exempt Bonds				
	1. Direct Treasury to modify regulations relating to valuation of ground leases under the mortgage revenue bond (MRB) program	(7)	(7)	(7)	(2)
	2. Direct expedited review of tax-exempt bonds for hazardous waste cleanup programs (legislative history)	--	--	--	---
	3. Calculation of income limits for qualified mortgage bond financed homes in high housing cost areas	-2	-3	-3	-8
	4. Tax-exempt financing for high-speed rail facilities	(7)	-2	-11	-13
	5. Application of arbitrage rebate requirement to bona fide debt service funds	(8)	(8)	(8)	(8)
F.	Miscellaneous Provisions				
	1. Measure ownership change as of end of bankruptcy for purposes of determining whether taxpayer qualifies under bankruptcy exception to 1986 Act net operating loss rules	-2	-1	-1	-4
	2. Extend foreign currency sourcing and characterization rules prospectively to financial instruments that are marked-to-market	--	--	--	---
	3. Suspend recapture of excess loss accounts in connection with certain dual resident company reorganizations	(1)	(1)	(1)	(2)
	4. Provide carryforward of nonconventional fuels credit under minimum tax	-4	-6	-8	-18
	5. Repledging of nondealer installment obligations	-7	1	1	-5
	6. Beneficial ownership of stock held in trust included in determining whether certain corporations may use the cash method of accounting	(3)	(3)	(3)	(2)
	7. Above-the-line deduction for jury pay surrendered to employer	(7)	(7)	(7)	(2)
	8. Exclude structured settlement arrangements from minimum tax (ACE)	--	-5	-10	-15
	9. Repeal general creditor requirement under structured settlement rules	(8)	(8)	(8)	(2)
	10. Cost of living allowances for judicial branch employees	(7)	(7)	(7)	(2)
	11. Allow medical expense deduction for service animals to assist the physically handicapped (legislative history)	--	--	--	---
Subtotal:	NONCONTROVERSIAL, LOW COST PROPOSALS	17	-61	-78	-122
Subtotal:	TECHNICAL CORRECTIONS ACT as Reported and PROVISIONS THAT CLOSE LOOPHOLES (Tables 1 and 2)	789	407	498	1,694
	GRAND TOTALS (Cumulative effects of Tables 1, 2 and 3):	806	346	420	1,572

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(1) Gain of less than $500,000.
(2) Totals are not available for estimates represented by footnotes.
(3) Loss of less than $500,000.
(4) Revenue effect net of outlay effect.
(5) Outlay effect.
(6) Increased outlay of less than $500,000.
(7) Loss of less than $1 million.
(8) Negligible effect.

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Table 4
SENATE FINANCE COMMITTEE

EXTENSION OF EXPIRING TAX PROVISIONS AND OTHER SUBSTANTIVE PROPOSALS

Fiscal Years 1989-91
(Millions of Dollars)

	Item	1989	1990	1991	1989-91
A.	Taxpayer Bill of Rights	-127	-29	-28	-184
B.	Modify low-income housing credit provisions	-7	-20	-22	-49
C.	Repeal uniform capitalization rules for artists, writers, and photographers (effective as if in 1986 Act)	-39	-2	-2	-43
D.	Repeal uniform capitalization rules for livestock(1)	-55	-76	3	-128
E.	Extend mortgage revenue bonds through June 30, 1989	-8	-35	-34	-77
F.	Extend educational assistance through December 31, 1988 (deny exclusion for expenditures related to graduate degree other than benefits provided under section 117)	-225	--	--	-225
G.	Extend group legal services through December 31, 1988 ($70 annual cap on value of coverage)	-60	--	--	-60
H.	Extend special student loan bond arbitrage rules through June 30, 1989	-2	-4	-4	-10
I.	Extend energy credits for business solar, geothermal, and ocean thermal property through June 30, 1989	-25	-15	1	-39
J.	Extend modified targeted jobs tax credit through June 30, 1989 (credit for summer youth reduced to 40 percent)	-33	-42	-21	-96
K.	Extend R & D credit through June 30, 1989 (use pro rata calculation of expenses) and reduce section 174 deduction by the amount of the credit	-172	-47	-14	-233
L.	Adopt 64% Treasury Reg. sec. 1.861-8 modification with gross sales cap and allocate 64% of foreign conducted research to foreign sources, both effective for 4 months of first taxable year beginning after August 1, 1987 (use pro rata calculation of expenses)	-194	--	--	-194
M.	Extend tax exemption of FSLIC payments and special reorganization and loss carryover rules through June 30, 1989, and expand availability of same benefits to FDIC-assisted transactions. Disallow 50% of current interest expense, net operating losses and certain built-in losses to the extent compensated or recouped by assistance payments	150	-233	-103	-186
N.	Permit domestic election for controlled foreign insurance corporations (.75% toll charge with maximum payment of $1.5 million, retroactive to 1/1/88)	28	-15	-13	--
O.	Impose one-year waiting period on implementation by Treasury of increases in depreciable lives	--	--	--	--
P.	Temporary increase in qualified plan reversion excise tax to 60%.	7	11	-2	16
Subtotals:	EXPIRING PROVISIONS AND OTHER SUBSTANTIVE PROPOSALS	-762	-507	-239	-1,508
Subtotals:	TECHNICAL CORRECTIONS as reported, PROVISIONS that CLOSE LOOPHOLES, and NONCONTROVERSIAL PROPOSALS (Tables 1,2,3)	806	346	420	1,572
	GRAND TOTALS:	44	-161	181	64

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(1) A companion provision mandates the use of the 150-percent declining balance method, switching to the straight-line method for any property used in the trade or business of farming. Further, all single-purpose agricultural or horticultural structures, other than certain greenhouses, are assigned a recovery period of 10.5 years.
(2) Loss of less than $1 million. The estimate is net of the revenue increase resulting from this provision.